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STATEMENT OF TERRY L. BOWMAN
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Before the International Trade Commission
Hearing on the Impact of the
Section 201 Safeguard Action on Certain Steel Products
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My name is Terry Bowman and I am happy to be here today to provide a simple, real life view of the impact of the Section 201 Steel Tariff from an end user point of view. York International consumes approximately one hundred thousand tons of steel annually, in America. We also purchase a considerable amount of steel indirectly, as a portion of components and sub-assemblies, supplied by non-steel suppliers.

I have worked in the air conditioning and refrigeration industry for 29 years. In 2002, with news of the pending tariff, I began a significant effort to understand and plan for the possible effects of a steel increase, and communicate extensively to management to ensure that they understood that the dramatic cost increases were out of the control of industrial buyers.

The necessity for the removal of the tariff and my personal belief of the same can be summarized with two distinct observations:

Point 1, Steel producers have had enough time at the expense of steel users.

The steel tariff, in conjunction with bankrupt steel mills, created what appeared to be a huge supply shortage for the 2nd and 3rd quarters of 2002. Supply was down, contracts were broken and prices went up dramatically, allowing companies selling steel to improve their margin lines. Also, there has been significant consolidation activity within the steel industry involving ISG, LTV, Bethlehem, US Steel, National Steel and others. So the Section 201 Steel Tariff created the environment intended within the steel industry and the same industry has reacted.

Therefore, with the consolidation efforts of the last 12 months, any merits of the Section 201 have been met and the intended remedy exhausted. More time for the steel industry, we believe, may actually delay further action. A removal of the tariff would signal the steel industry to move faster to further address the original issues of over capacity and aging mills.

Point 2, Most steel users perceive the need to outsource the manufacturing of steel assemblies or entire finished goods, due to the negative affect of the steel tariff.

Whether is was Section 201, or whether it was LTV taking millions of tons of steel capacity off the market in the first quarter of 2002 which caused the larger impact on the increased price of steel can be debated. However, the overwhelming belief is that Section 201 is to blame. Many times, and virtually without exception manufacturing's cost increase problems have been blamed on Section 201 or "President Bush's steel tariff".

Reaction from steel consumers became desperate in mid 2002, with supply shortages, and manufacturing companies began the desperate effort to offset price increases with the primary focus centered on Asian sourcing, or more often, China sourcing.
The situation:
- Alternate sourcing of steel was not an option.
- The (Yuan) China currency has been "pegged" at a low rate to the US Dollar since 1994.
- Foreign competition to our product, with "below market pricing" began to surface.
- The primary effort to offset steel cost became a focus to source in China.

Someone may counter that the steel increase impact saying that steel pricing levels are up around the world, which I believe to be true. However, the Yuan is pegged at an artificially low level, and the low currency effect is multiplied through all other component materials, labor and overhead calculations.

Dr. Robert C. Fry, Jr. of the DuPont Economist's Office writes in his May, 2003, Current Business Development report that with the "dollar down 26% versus the Euro over the last 15 months, the undervaluation of the Yuan is now the biggest single threat to U.S. manufacturing – and the biggest reason that U.S. manufacturing has not grown since the recession ended in late 2001, even though consumer spending has continued to grow." Dr. Fry continues, "a revaluation (upward) of the Yuan would be a tremendous aid to the U.S. economic recovery"..... and, "until it does, the recovery in U.S. manufacturing and especially in business investment will be restrained."

In Summary

We believe the Section 201 Steel Tariff should be terminated at the end of the first 18 months because it has served the purpose of giving steel producers a chance to consolidate.

But more importantly the tariff should be terminated to dispel the belief by steel users and their executive staffs, that the tariff has accelerated the need to re-locate manufacturing, or source related components to China or other foreign countries. Eliminating the steel tariff in August 2003, without addressing the Asian currency manipulation issue will not ensure manufacturing health. **However, the continuation of the tariff** will re-enforce corporate management's perception of the tariff, and hasten the continual pressure on corporate buying to move work and sourcing to China or outside the United States. I challenge you to look at the "country of origin" marking on various products on your next walk through one of the large discount stores, and remember that we need trade legislation that aids all American manufacturing. I believe you will find that foreign products are expanding into new areas of manufacturing, and that the steel tariff is contributing to this end.

Thank you for the opportunity to present this statement.